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1 iterated, prototyped over time. I don't recall the
2 exact like creation date or the exact launch date
3 of xRapid ODL.

4 Q Okay. Was it in 2018 or earlier?

5 A Somewhere between 2017 and 2018.

6 Q Okay. And prior to the creation of
7 xRapid, could people use XRP for cross-boarder
8 payments?

9 A Yes, they could.

10 Q And what would they use?

11 A Well, to be specific you could use it for
12 exchanging value. When you say, payments, that
13 means that you have to find someone to clear it to
14 local rails. So, I guess to answer the question, I
15 mentioned internally to the XRP ledger, there's an
16 exchange, there's the old gateway model. You know,
17 you can conduct a cross-boarder payment using the
18 XRP ledger native exchange and the gateway model.

19 Q So, were banks using XRP to conduct
20 cross-boarder payments prior to the introduction of
21 xRapid?

22 A I do not believe banks were using XRP
23 ledger and exchanges and gateways.

24 Q And do you have an understanding of why
25 banks didn't adopt XRP for this use?

1 A Are you talking about early on? Or why
2 they didn't use the XRP directly?

3 Q Mm-hmm.

4 A There's a whole host of reasons. One was
5 privacy. It's a distributed decentralized ledger.
6 Those properties make your, you know, your data,
7 your trades all public. So privacy was one
8 concern. Banks especially like to -- you can image
9 banks would not want to know -- want -- would not
10 want their customers to know what the FX rates are,
11 it's proprietary. So that was one reason.

12 And number two is performance. I
13 mentioned XRP ledger although it's fast, five
14 seconds, and it's not always five seconds.
15 Sometimes it's less, sometimes it's more if
16 technical issues. There are technical problems
17 with banks using the XRP ledger, for example, banks
18 want decimal precision. The XRP ledger does not
19 give you decimal precision. And then I mentioned
20 some of the user experienced challenges with early
21 on, with liquidity.

22 Q Who uses the xRapid product?

23 A Financial institutions that have
24 cross-border flows. As I mentioned earlier,
25 primarily, remittance companies.

1 Q Is it aimed at non-banks?

2 A I don't know if I would say it's name --

3 I mean what do you mean by is it --

4 Q -- aimed.

5 MR. CERESNEY: Aimed.

6 A Aimed, oh. Is it aimed at non-banks,

7 that's a customer segment that has been leaning

8 into using the product, yes.

9 Q Does xRapid create a way to use XRP
10 without the financial institution actually holding
11 XRP?

12 A Can you just -- I mean, can you define
13 holding XRP?

14 Q Taking possession of it. Taking on risk
15 related to XRP.

16 A Well --

17 MR. CERESNEY: Do you understand the
18 question?

19 THE WITNESS: Yeah.

20 A I guess it's -- I guess it's a two-part
21 answer. And when you say, risk, are you talking
22 about regulatory risk or volatility risk, or --

23 Q Either.

24 A The regulatory risk, I'm not aware of, I
25 don't know. The volatility risk, it's more along

1 the lines of the way that the product moves and how
 2 fast XRP works. There is very little volatility
 3 risk. That's only because financial institution is
 4 moving their value through XRP at the bridge
 5 currency in this context. Meaning, that what their
 6 usually holding as a sending institution is U.S.
 7 dollars. Only when they want to execute the trade,
 8 does the process kick off and on their behalf it's
 9 converted instantly to -- just the payment
 10 amount -- it's converted instantly to XRP moved and
 11 converted to Mexican pesos, for example. That
 12 whole process is only a few seconds. And so,
 13 that's essentially how the volatility risk is
 14 mitigated. It's more a property of how -- how fast
 15 XRP settles.

16 Q Does Ripple have charge for use of the
 17 xRapid product?

18 A I mentioned there's a -- I'm not sure if
 19 the actual all the logistics of the contract, but
 20 there is a contract where folks, you know, pay to
 21 use the -- well, I can't speak for all customers.
 22 But, at least some of the customers for ODL I know
 23 pay licensing fee or SAFs fee.

24 Q Is that in connection with use of
 25 xCurrent or xVia?

1 A I -- I don't know 100 percent. If -- I
2 know that xRapid, some xRapid customers that only
3 use xRapid in conjunction with RippleNet pay a
4 subscription fee.

5 Q Other than the subscription fee, how else
6 does Ripple Labs make money from the xRapid
7 product?

8 A Primarily through the subscription fee.

9 Q Does it make money from the sales of XRP
10 related to the xRapid -- does it make money from
11 the use XRP in relation to the xRapid product?

12 MR. CERESNEY: Just so I understand the
13 question; is the question if a financial
14 institution is executing a trade through xRapid,
15 does Ripple make money on that trade.

16 Q No. No, I mean just big picture.

17 How does Ripple make money for xRapid
18 other than the subscription fees. And does
19 xRapid -- does it -- more people use xRapid, is
20 there an increase in demand for XRP?

21 A Well, I'll break it down into the first
22 question and then I'll answer the second question.

23 In Silicon Valley it's very popular and
24 very common for companies to evolve their business
25 model over time. That's especially true of

1 companies building a network. And when I'm
2 referring to a network, I'm referring to the
3 RippleNet network. And --

4 Q What is the RippleNet network refer to?

5 A The Ripple network refers to financial
6 institutions that are --

7 Q No. I heard you say RippleNet, not
8 Ripple network. Cause I'm not sure what you said,
9 did you refer to RippleNet or the Ripple network?

10 A RippleNet, sorry.

11 Q Okay.

12 A So RippleNet is a -- is the bringing
13 together of the difference financial institutions
14 around the world that facilitate, you know,
15 payments from different fiat currencies. So when
16 you join RippleNet, folks are usually joining
17 because they want a far better experience of
18 sending U.S. dollars to Mexico or U.S. dollars to
19 India, for example.

20 So the combination in bringing together
21 all those different financial institutions from
22 around the world, is referred to as RippleNet. And
23 so, to answer the first part of your question,
24 especially with network or marketplaces in tech and
25 Silicon Valley, it's very common to have -- build

1 the network, and then later on the monetization
2 later.

3 And so while we have subscription fees,
4 we haven't build other services. You know, data
5 services and so forth, that we can offer our
6 customers on RippleNet. But the play book for most
7 of the Silicon Valley companies building a network
8 or a marketplaces to first build up a network and
9 then later the monetization later. So that's there
10 first part.

11 The second part was, does the xRapid
12 product create more demand from XRP. And the way
13 that the product works is that it's -- it's
14 canceled out. So you have one trade on the
15 Bitstamp side, which actually converts U.S. dollars
16 to XRP, so if you're gonna send a million dollars,
17 for example, you buy a million dollars worth of
18 XRP. But then that is canceled out on the other
19 side because what is happening is that the XRP is
20 sent to the exchange, for example, in Mexico, but
21 then that XRP is the exact same amount minus some
22 fees, is sold for pesos. So it's -- it just
23 cancels each other out in bookkeeping.

24 Q My question is, if you have more
25 customers, more MoneyGram, more entities like

1 MoneyGram signing on to use xRapid, are you going
2 to have more demand for XRP tokens?

3 A The way the product works today, there
4 would be -- they would cancel each other out. So,
5 there'd be no new demand for XRP.

6 Q If you have more transaction volume
7 through xRapid, would you need -- would that create
8 more demand for XRP tokens.

9 A Net zero impact to the demand for XRP as
10 the product is designed today.

11 Q What sort of inference -- we spoke a lot
12 today about liquidity. Other than liquidity, what
13 other infrastructure is needed to support the
14 xRapid product?

15 A Probably summarize as such as possible.
16 I mean, there's a lot of -- there's a lot of nuance
17 to the answer.

18 Do you want me to move beyond exchanges
19 or should we just start with exchanges?

20 Q If you could just tell me from a -- just
21 because it's late in the day, just from a very
22 general perspective, what categories similar to
23 liquidity are needed for the product to be
24 successful.

25 Or what's needed for people in order for

1 banks and non-banks to use xRapid?

2 A So, there are the exchanges. You need
3 two exchanges that provide -- you can think of them
4 as the on-ramp. So taking fiat on, and then
5 converting it, which means the liquidity. And then
6 you need the flip side of that on the receiving
7 end, so the off-ramp. The fiat -- so that's one
8 component, those are like the exchanges, that's
9 pretty much like liquidity. You also need some
10 sort of processor that will, you know, be your
11 on-ramp for U.S. dollars. They're called ACH
12 processors in the United States, they're called
13 clearer in other countries.

14 But -- so you need the ACH on-ramp
15 processer on the U.S. side, and then on the
16 Bitstamp side you need a local clearer into the
17 SPEI rails. The SPEI rails are similar to ACH in
18 the United States or FPS in the UK. But they
19 provide instant connectivity into 90-percent of the
20 banks in Mexico.

21 You need software. Redundancy exchanges
22 often go down, you need the software that will fail
23 over if things are going down. Retry transactions,
24 there's a lot of logic in terms of the software
25 that we're trying to build to facilitate mission

1 critical payments. You need security.

2 So, a lot of security practices, security
3 provisioning to help folks securely use the
4 product. There are kind of keys to access our
5 technical products. You need cloud infrastructure.
6 Cloud infrastructure is, if you've heard of Amazon,
7 AWS, it's a software that's put into the AWS that
8 is already pre-compiled and ready to run. Makes it
9 a lot easier for financial institutions to use that
10 product.

11 Q You spoke about the two exchanges, the
12 on-ramp and the off-ramp.

13 Did Ripple provide incentives for these
14 exchanges to offer the xRapid product?

15 A Just to be clear, the exchanges don't
16 offer the xRapid product. Ripple offers the xRapid
17 product.

18 MR. HECKER: To financial institutions.

19 THE WITNESS: To financial institutions.

20 Q I'm just a little confused. So, I know
21 that in August 2018, the company announced that
22 there was a partnership with Bitrix in connection
23 with the xRapid product.

24 So, how is that partnership different
25 than just providing incentive to an exchange to

1 list XRP?

2 A Okay. So, to -- you know, outside of
3 XRP, we need the exchanges to do certain things to
4 facilitate a payment. And they're certain changes
5 that they need to make in their code base to
6 facility xRapid payments. One example I had
7 mentioned, is that they need to be able to clear on
8 to local rails instantly, so pesos into the SPEI
9 network. That's one example.

10 Other examples could be they need to
11 adhere to the travel rule. So that, you know, a
12 payment is passing through them, they need to file
13 that or keep record of that. Those are things that
14 they do not -- well, at least they don't believe
15 they need to do under their traditional business.
16 So those are two examples.

17 Q Okay. Let's quickly talk about
18 MoneyGram.

19 What was the -- what is the importance of
20 the MoneyGram partnership to Ripple?

21 A It's a well known household brand using
22 Ripple products. So I think that's -- that has an
23 effect of bringing other clients of it's size and
24 customers of it's size on to RippleNet.

25 There's also, you know, what perception

1 using blockchain technology, using virtual
2 currencies, digital assets in production and
3 commercial use, you know, we're an innovator in
4 that space. And, you know, my experience financial
5 institutions are -- they move in herds. You know,
6 no one wants to be the first, but once one commits,
7 then, you know, it sort of paves the way.

8 Banks get more -- the underlying banks
9 get more comfortable, the state-by-state money
10 transmitters get more comfortable. So there are a
11 lot of great aspect that MoneyGram provided to
12 Ripple. Product feedback. You know, you have a
13 company that is really, you know, innovative -- is
14 trying to, you know, push the envelope in terms of
15 the experience they want to deliver to their
16 customers. So, you know, product feedback they
17 provide us is also outstanding.

18 Q As part of Ripple's deal with MoneyGram
19 did it agree to use the xRapid product and XRP for
20 cross-border payments?

21 MR. CERESNEY: Did MoneyGram agree.

22 MS. WAXMAN: Yeah. Yeah.

23 A I believe so, yes.

24 Q Did you have discussions with anybody
25 concerning MoneyGram's use of xRapid and XRP for

1 cross-boarder payments?

2 A Can you ask that again, please?

3 Q Did you discuss with anyone at Ripple
4 MoneyGram's agreement to use xRapid and XRP for
5 cross-boarder payments?

6 A Yes.

7 Q And what did you discuss?

8 A With the legal team, I talked a little
9 bit about --

10 MR. HECKER: Skip the legal team.

11 MR. CERESNEY: Separate and apart from
12 your discussion with the legal team.

13 A With one engineer and one product
14 manager, discussed the flow of how the product
15 would function.

16 Q Did you discuss that the partnership
17 would increase demand for XRP token?

18 A No.

19 Q Did you discuss with anybody that the
20 partnership with MoneyGram would work to establish
21 a use case for the XRP tokens?

22 A No.

23 MS. WAXMAN: Just another 15 minutes and
24 we'll be done.

25 MR. CERESNEY: Okay.

1 Q Are you familiar with an entity called
2 **Coinbase?**

3 A Yes.

4 Q Okay. How do you know **Coinbase?**

5 A **Coinbase** at one time was one of the
6 larger exchanges around the world. Their offices
7 are located in San Francisco as well. They were
8 founded around the same time as Ripple.

9 Q Is XRP listed on **Coinbase's** platform?

10 A Yes. I believe so.

11 Q Did you have any discussions with anyone
12 at Ripple regarding **Coinbase** listing of XRP?

13 A From -- yes.

14 Q Okay. When was your first discussion?

15 A I don't remember.

16 Q When did Ripple first -- did Ripple
17 submit an application for listing with **Coinbase?**

18 A I don't know if they formally submitted
19 an application.

20 Q Did they engage in discussions with
21 **Coinbase** on multiple occasions regarding listing?

22 A I do not know.

23 Q Did you ever discuss with anyone at the
24 company a rejection by **Coinbase** or a decision by
25 **Coinbase** not to list XRP in 2017?

1 A There's a discussion. I don't remember
2 if the discussion was specifically regarding a
3 concrete decision not to list XRP.

4 Q What was the discussion about?

5 A It was, you know, from my role as
6 product, it was -- my recollection it was a -- it
7 was trying to clarify a technical misunderstanding
8 they had with the products and our -- and our
9 product strategy.

10 Q What do you mean technical
11 misunderstanding?

12 A What I mean by that, it was -- it was
13 something you -- I don't recall a hundred percent
14 specific, but it was something around how the
15 product worked or who were -- who was buying the
16 product. Who is using our product, the Ripple
17 enterprise product. That was one discussion that
18 we had.

19 Q When did Coinbase list XRP for trading?

20 A I don't remember.

21 MR. DANIELS: Sorry, can you -- just go
22 back to that. You said you thought there was a
23 misunderstanding about who was using the product.

24 Can you elaborate on what the
25 misunderstanding was?

1 THE WITNESS: From my recollection, the
2 misunderstanding was that potentially only banks
3 were using RippleNet. And I wanted to clarify
4 that it was, you know, other financial
5 institutions using RippleNet. So that was one
6 clarification.

7 Q Do you know [REDACTED] -- I don't know his
8 last name who works at Coinbase?

9 A I know [REDACTED] He's a
10 former employee of Coinbase.

11 Q And what was his role at Coinbase?

12 A I don't know.

13 Q Did you have any conversations or
14 communications with him about listing XRP on
15 Coinbase's platform?

16 A I don't recall.

17 MS. WAXMAN: Let's mark this.

18 (SEC Exhibit No. 7 was marked
19 for identification.)

20 Q I'd like to show you what's been marked
21 as Exhibit 7. Please take a moment to look at it
22 and let me know when you're done.

23 (Witness complies.)

24 Do you recognize what's been marked
25 asking Exhibit 7

1 A I don't recognize this e-mail.

2 Q What is the e-mail about?

3 A So --

4 Q I'll ask another question.

5 Why were you going to meet with [REDACTED]

6 from Coinbase?

7 A [REDACTED] and I know each other from his
8 days previous to Coinbase. He is a thought leader
9 in the crypto space. He -- sorry, in the
10 blockchain, digital asset currency space.

11 He -- he's a bit of a mentor, so, you
12 know, I try to learn from him. We share ideas
13 about crypto, blockchain, virtual currencies. This
14 meeting, my recollection is that [REDACTED] wears a lot
15 of hats. In this context, he was wearing his, you
16 know, sort of like blockchain expert hat. He had
17 met with -- with Brad and really didn't understand
18 the product strategy at Ripple.

19 He hadn't heard of spring, and so I
20 thought, maybe it might be a good opportunity. We
21 hadn't spoken in probably 18 months, I thought it
22 would be a good idea to follow-up on his
23 conversation, you know, with Brad.

24 And so, we scheduled some time. And I
25 believe -- I don't actually remember if we ended up

1 meeting or not. But we definitely tried to
2 schedule something.

3 Q And, when you said he met with Brad, do
4 you know when that meeting was?

5 A I don't know. I mean it's referenced
6 here, but I don't know exact when it was.

7 Q Okay. But close in time to this e-mail?

8 A I do not recall.

9 Q And do you know what the meeting was
10 about -- or strike that.

11 Did Brad and [REDACTED] discuss listing XRP
12 on Coinbase's platform?

13 A I don't know.

14 Q Did -- was a listing -- was an XRP
15 listing in Coinbase important to Ripple?

16 A From the product perspective with ODL or
17 xRapid we're always looking for, you know, better
18 partners that can provide, as I mentioned, the
19 on-ramps. Coinbase had solid banking
20 relationships, they have money transmission
21 licenses in 50 states. So, you know, working with
22 Coinbase was advantageous -- could -- potentially
23 could be advantageous to the ODL xRapid product.

24 Q And more broadly, was an XRP listing
25 important for Ripple for other reasons?

1 A I don't know.

2 Q Was Ripple Labs willing to pay Coinbase
3 to list XRP on it's platform?

4 A I don't know.

5 Q Did [REDACTED] or anyone else as Coinbase
6 request a listing fee in exchange for making XRP
7 available for trading on the platform?

8 A I don't know.

9 (SEC Exhibit Nos. 8 and 9 were
10 marked for identification.)

11 Q Please take a look at what's been marked
12 as Exhibits 8 and 9.

13 (Witness complies.)

14 A Did you want me to read?

15 Q Take a moment. Look at it, familiarize
16 yourself with it, if you're not familiar with it
17 already.

18 A I'm not -- I'm not familiar with either.

19 (The witness examined the document.)

20 Q Do you recall receiving the e-mail that's
21 marked in Exhibit No. 8.

22 A I do not.

23 Q Did you -- have you ever seen the -- have
24 you ever seen what's been marked as Exhibit No. 9?

25 A I do not recall.

1 Q Did you ever discuss the draft agreement
2 with anyone at Ripple?

3 A Are you referring to --

4 Q Exhibit --

5 A -- Exhibit 9?

6 Q Yes.

7 A I do not recall.

8 Q How was the agreement received by the
9 company?

10 A I don't know.

11 Q Was -- did Ripple ultimately enter into a
12 listing agreement with Coinbase?

13 A I don't know.

14 Q What do you know about how XRP came to be
15 listed on the Coinbase platform?

16 A I saw a CoinDesk article stating that XRP
17 was listed at Coinbase.

18 Q Outside of the public announcement, did
19 you have any discussions with the company -- anyone
20 at the company about a potential listing of XRP on
21 the platform?

22 A I don't know.

23 Q Was the announcement the first time that
24 you learned that XRP would be traded on Coinbase's
25 platform?

1 A Specifically what I recall is I read on
2 coin -- CoinDesk, a publication that covers
3 blockchain, that XRP was listed at **Coinbase**.

4 Q Was that the first time that you learn --
5 was that the first time that you learned that XRP
6 was listed at **Coinbase**?

7 A I believe so, yes.

8 Q Okay. So from the time that you received
9 this e-mail, to the time that you saw the public
10 announcement, you didn't have any conversation with
11 anybody about listing the -- whether XRP would be
12 listed at **Coinbase**?

13 A I don't know.

14 Q You don't know or you don't recall or no.

15 A I don't recall.

16 Q Okay. Did you discuss with Brad
17 Garlinghouse that he was willing to pay up to [REDACTED]
18 [REDACTED] to list XRP on **Coinbase's** platform?

19 MR. CERESNEY: I don't know if this is
20 saying he's paying [REDACTED] dollars.

21 MS. WAXMAN: No, I'm not referring to
22 this.

23 MR. CERESNEY: Okay. Separate and apart
24 from Exhibit 9, your question is, do you recall
25 ever learning that.

1 A I do not recall being aware of the --
2 anything regarding a listing fee.

3 Q Separate from Coinbase, did you ever have
4 any discussion with anybody at the company about
5 paying any exchange to list XRP on it's platform?

6 A I don't recall.

7 Q Did you ever discuss with anyone over at
8 Ripple it's willingness to pay Gemini to list XRP
9 on the platform?

10 A I don't recall.

11 (SEC Exhibit No. 10 was marked
12 for identification.)

13 Q Did Coinbase provide custody services
14 related to XRP?

15 A I don't know for certain.

16 Q Did you ever have conversations with
17 anyone about XRP and Coinbase providing custody
18 services related to XRP?

19 A Yes, I believe so.

20 Q Who did you discuss that with?

21 A I don't remember all the participants in
22 the room.

23 Q What was discussed?

24 A Coinbase was -- Coinbase was launching a
25 new service for digital asset of virtual currency

1 custody. They talked about how that service works,
2 the general timelines for that service.

3 Q Was that service for people who held XRP;
4 so market makers, hedge funds, large investors in
5 XRP?

6 A I don't -- I don't believe we talked
7 about specific target segments. That wasn't the
8 purpose from my recollection.

9 Q So, would Coinbase custody -- would
10 Coinbase custody Ripple's XRP or were they seeking
11 to custody XRP held by other people?

12 A I don't remember if the conversation that
13 we had was talking about customer segments or who's
14 digital assets or virtual currencies, it was from
15 my recollection, it was more first-time people were
16 going to be launching this product at some point.
17 Here are it's capabilities, here's the general road
18 map. It was not, from my recollection, a long
19 meeting.

20 Q Would there be any reason why Ripple
21 would have Coinbase custody their XRP.

22 I understand, you know, if I were a
23 holder and I wanted to ask a third party to
24 custody, but I'm talking about, why would Ripple
25 want another person to custody it's XRP?

1 MR. HECKER: You mean, would they. Would
2 Ripple want that.

3 MS. WAXMAN: Yes. Would Ripple want
4 that?

5 A I can only speak about technical reasons.
6 I don't know any specifics about why for business
7 reasons they would want to use -- or any business
8 reasons driving that.

9 Q What are the -- and are there any
10 technical reasons to custody XRP with another
11 party.

12 A Yes.

13 Q Can you tell me the -- kind of a big
14 picture.

15 A One, custody is never -- custody is never
16 a hundred percent secure. And having redundancy is
17 generally a good thing. For example, I don't keep
18 all my money at [REDACTED] I have some at
19 [REDACTED] some at other banks just in case
20 something happens to one, I have, you know, other
21 options.

22 And with InfoSec, which is information
23 security or -- it's a common security practice to
24 have multiple redundant options for securing keys,
25 digital keys, I mean, crypto keys, custody of

1 assets and so forth. You don't want to have a
2 single point of failure.

3 Q I'd like to show you what's been marked
4 as Exhibit 10.

5 (The witness examined the document.)

6 Q Do you recognize what's been marked as
7 Exhibit 10?

8 A I do not.

9 Q It's an e-mail from Miguel Vias to
10 several people. You're one of them. It's from
11 August 24, 2018 and the subject is: "Next steps on
12 XRP custody." [REDACTED] from Coinbase is on the
13 e-mail, so is [REDACTED] sorry if I
14 mispronounced that, and that's it from Coinbase.

15 It says, "Thank you for coming by the
16 office on Tuesday."

17 Do you recall meeting with folks from
18 Coinbase in or around that time?

19 A I do not.

20 Q It says -- then is it says, "For next
21 steps I propose the following: One, [REDACTED] to
22 connect with [REDACTED], to set up a slide channel and
23 start the integration."

24 Do you know what that is in reference to?

25 A I do not know for certain.

1 Q Is that in reference to listing XRP on
2 the platform?

3 A Well, the third line says custody.

4 Q Right. I just don't know if the e-mails
5 is talking about listing and custody or just
6 custody?

7 A I do not believe I was at this meeting.
8 Solely based on the subject line, it says, "XRP
9 custody."

10 Q Okay. Do you know if -- did Ripple and
11 Coinbase enter into an agreement to custody a
12 portion of Ripple's XRP?

13 A In my role as product, you know, the
14 business agreements are not something that I'm
15 responsible for. And I don't know.

16 Q You don't know whether or not -- weren't
17 you in a leadership position at Ripple Labs?

18 A I am. And was.

19 Q And do you report to the CEO?

20 A I do.

21 Q Did you ever discuss with the CEO
22 Coinbase?

23 A Yes. I have discussed Coinbase.

24 Q And what discussions did you have with
25 the CEO about Coinbase?

1 A As we're looking through, you know,
2 partners for ODL or xRapid, I did an analysis on,
3 you know, Coinbase and their relative liquidity
4 market share compared to other exchanges. And was
5 surprised to see it was so small.

6 Q Did you recommend that Ripple try to list
7 XRP on the platform?

8 A I do not recall.

9 Q Did Ripple pay a fee in connection with
10 it's agreement to custody portion of it's XRP with
11 Coinbase?

12 MR. HECKER: I don't -- sorry. I don't
13 know that -- I mean I think he testified he
14 doesn't know whether there was an agreement.

15 MS. WAXMAN: Okay. No problem.

16 Let's go off the record --

17 MR. DANIELS: I just have one questions
18 about something you said. You said you performed
19 an analysis and were surprised to see that
20 Coinbase's liquidity share was so small.

21 Can you just explain what was?

22 THE WITNESS: Yeah. So, as I mentioned
23 with ODL, the way that it functions it needs XRP
24 liquidity. And -- and it helps to work with the
25 most liquid exchanges. And I was just surprised

1 to see that Coinbase is not one of the top liquid
2 exchanges.

3 MR. DANIELS: And were you using that
4 analysis to target the most liquid exchanges for
5 XRP?

6 THE WITNESS: For ODL specifically, as I
7 mentioned --

8 MR. DANIELS: Yes.

9 THE WITNESS: -- you want liquid changes.
10 And so that's a function of the product.

11 Q Were there other changes in the U.S. that
12 were -- had more liquidity and would be a
13 beneficial partner for ODL?

14 A Beyond the ones that we are working with,
15 the recommendation was to stay the course.

16 Q And which exchanges were you working
17 with?

18 A Specifically the exchanges that we're
19 working with for the ODL product today are
20 Bitstamp. Only Bitstamp from my recollection.

21 Sorry -- on the -- that's on the U.S. dollar side,
22 on the origination side.

23 Q Did you have a partnership with Bitrix?

24 A We had a partnership with Bitrix, yes.

25 Q Did that end?

1 A I don't know specifics of the contractual
2 obligations have ended.

3 MR. DANIELS: Do you recall where Bitrix
4 fell within that analysis in terms of the
5 liquidity share.

6 THE WITNESS: I don't remember. I don't
7 recall.

8 MS. WAXMAN: Okay. We're off the record
9 at 5:17 p.m.

10 (A brief recess was taken.)

11 MS. WAXMAN: We're back on the record at
12 5:22.

13 Q Mr. Birla, while we were off the record,
14 did you have any substantive discussions with the
15 staff?

16 A No.

17 MR. TENREIRO: Mr. Birla, couple of just
18 quick questions to clarify.

19 Is it fair to say that it's your
20 understanding that the price of XRP fluctuates,
21 vis-a-vis the price of other assets, such as U.S.
22 dollars or Bitcoin?

23 THE WITNESS: It's my understanding that
24 it fluctuates against U.S. dollar. It's highly
25 correlated with Bitcoin.

1 MR. TENREIRO: Okay. And fluctuates
2 against U.S. dollars?

3 THE WITNESS: Yes. That's my
4 understanding.

5 MR. TENREIRO: Okay. And if the price of
6 XRP did not fluctuate and were fixed, would the
7 xRapid product still work?

8 THE WITNESS: Well, there's probably a
9 lot of nuance in the answer. But, technically the
10 answer to that is the only way it wouldn't
11 fluctuate is if it was in U.S. dollar.

12 MR. TENREIRO: My question is, if the
13 price of XRP did not fluctuate against the U.S.
14 dollar, but were in fact fixed against the U.S.
15 dollar, such that you could always obtain a
16 certain amount of XRP for a certain amount of U.S.
17 dollars, would the xRapid product work?

18 THE WITNESS: Are you asking if the -- if
19 XRP was pegged to the U.S. dollar --

20 MR. TENREIRO: Yeah.

21 THE WITNESS: -- meaning dollar -- would
22 the product still work?

23 MR. TENREIRO: Yeah.

24 THE WITNESS: The technical is that if
25 it's pegged to the U.S. dollar you introduce a

1 counter-party. So it's not trustless anymore.

2 Someone -- some entity is going to manage that peg
3 to the U.S. dollar.

4 MR. TENREIRO: What if the -- what if the
5 XRP simply is just valued by Ripple when it sells
6 it at, you know, 1 dollar per XRP?

7 THE WITNESS: Then -- I don't understand
8 how that would work technically.

9 MR. TENREIRO: Well, why does the price
10 of xRapid need to fluctuate -- I'm sorry, of XRP
11 need to fluctuate for xRapid to function?

12 MR. CERESNEY: I don't think he said it
13 does.

14 MR. TENREIRO: Does it?

15 THE WITNESS: What -- what I'm saying is
16 like to -- technically it's a counter-party free
17 asset. Since it's a counter-party free asset it
18 is going to fluctuate against the U.S. dollar.
19 That's just by definition what a trustless
20 counter-party free asset works.

21 If it weren't counter-party free and it
22 didn't fluctuate, then that would be pegged to the
23 U.S. dollar. Those are called stablecoins. And
24 with stablecoins you have a counter-party and it's
25 not trustless anymore.

1 So, my answer is, if it was a stablecoin
2 like, U.S. dollar stablecoin, the product doesn't
3 function because you introduced a counter-party.

4 MR. TENREIRO: What about listing the XRP
5 on something like Coinbase.

6 Does it need to be listed on Coinbase for
7 xRapid to function?

8 MR. CERESNEY: I think you missed this
9 portion of the questioning. Because Daphna did
10 ask, you know, about how the originating -- I
11 mean, there was some colloquy about how xRapid
12 works and how it originally you had to trade it on
13 one exchange and then --

14 MR. TENREIRO: I was here.

15 My question, does it have to be on like a
16 DEX like Coinbase, why can't it just be on, for
17 example, you know, Ripple's own DEX for people to
18 obtain the XRP that they're using in connection
19 with xRapid?

20 THE WITNESS: Cause -- I think you're
21 referring to the XRP ledger DEX.

22 Ripple does not operate a DEX.

23 MR. TENREIRO: Yeah. I understand the --
24 thank you.

25 The DEX that's on the XRP -- that is on

1 the XRP ledger.

2 THE WITNESS: So there are a lot of
3 reasons why that potentially wouldn't work. For
4 technical reasons, I can skip over that for now.
5 The liquidity reasons are that, I mentioned -- I
6 think you may have -- I think you weren't here.

7 MR. TENREIRO: When you talked about how
8 it was less liquid at some point.

9 THE WITNESS: Yeah. So like liquidity in
10 general in digital assets, virtual currencies has
11 moved to centralized exchanges. I think if you
12 took all the DEXs out there today, and compared it
13 to a top 50 exchange, I don't think it would even
14 match a 50 exchange out there in terms of
15 liquidity. And liquidity is paramount to the
16 experience that we can offer with xRapid and ODL.

17 MR. TENREIRO: So that people can quickly
18 obtain the XRP they need to affect the transaction
19 from one country to another, for example?

20 THE WITNESS: Speed is not -- I mean, in
21 an indirect way speed is partially what you want
22 liquidity. But the main reason is because, I'd
23 mentioned earlier on, we had the idea for ODL and
24 xRapid, but there wasn't enough liquidity in the
25 markets or enough exchanges. Those are the two

1 gaining factors. And if there's not enough
2 liquidity in the exchanges what that constrains is
3 basically how much you can move across boarders.
4 It's tough find clients that only want to move --
5 for example, in 2015 I looked at it and you could
6 move maybe a hundred thousand dollars total.

7 So finding customers, it just became very
8 difficulty. So we need -- for the ODL xRapid
9 product to flourish, and to provide a great
10 customer experience, that's my job, I need
11 liquidity, I need on and off-ramps and those are
12 things that centralized exchanges provide.

13 MR. TENREIRO: Right. So the answer to
14 my question is, the centralized exchange is
15 providing liquidity in other words for the
16 product.

17 THE WITNESS: They provide liquidity and
18 they provide the on-ramp in the case of Bitstamp
19 and then the off-ramp in the case of Bitso,
20 off-ramp going out to local rails in Mexico. So
21 there's two point charts.

22 MR. TENREIRO: But you still need the
23 centralized exchange. You need it, is what you're
24 saying.

25 THE WITNESS: It's a -- yeah -- it's a

1 pillar of the product.

2 MR. TENREIRO: Okay. And those are --

3 would you described those as trustless or some
4 counter-party risk?

5 THE WITNESS: Well, there's U.S. dollar
6 counter-party risk at the -- at the exchanges.

7 MR. TENREIRO: And there's -- okay.

8 That's all.

9 MS. WAXMAN: I mean, at some point you
10 could have a DEX that has a huge market share
11 also.

12 THE WITNESS: And the --

13 MS. WAXMAN: There's no question.

14 MR. HECKER: No question. Just
15 confirmation.

16 Q If you had a DEX that had a huge market
17 share, would -- could you use DEX in connection
18 with the xRapid product?

19 A Is this on the -- I mean -- I guess,
20 yeah. So the -- yeah, you could.

21 MR. TENREIRO: You're on the record.

22 MR. CERESNEY: Yeah, it's on the record.

23 MS. WAXMAN: Yeah.

24 A So I guess is the question, if DEX had
25 liquidity, could you use a DEX?

1 Well, that solves the liquidity portion,
2 but then you have the on a -- on and off-ramp
3 portion. And that's another thing that the
4 exchanges provide. So, you can look at an entity
5 like Bitso and what Bitso provides is that
6 liquidity, and to your point, that's potential that
7 could move to a DEX. But then someone -- then
8 they'd be stuck on that DEX. And what the -- what
9 Bitso also provides is that connection to all the
10 other banks in Mexico via the local clearing
11 portion of it.

12 And, per earlier conversation, those are
13 things that they provide to facilitate a
14 cross-border payment product. They also have to
15 adhere to local regulations, adhere to the travel
16 rule, adhere to something leading to other stuff
17 like FATIF and stuff like that, but it's beyond
18 my --

19 MS. WAXMAN: Well, we want to thank you
20 very much for coming here today. I know it's been
21 a long day and we appreciate it.

22 I want to give counsel an opportunity to
23 make any statements, ask any questions, clarify
24 anything.

25 MR. CERESNEY: We don't have anything.

1 MS. WAXMAN: Okay. So that concludes
2 today's testimony.

3 If there is anything else that we need to
4 ask you, we'll reach out to your counsel.

5 It is 5:31 and we're off the record.

6 (Whereupon, at 5:31 p.m., the examination
7 was concluded.)

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1 PROOFREADER'S CERTIFICATE

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3 In The Matter of: RIPPLE

4 Witness: Asheesh Birla

5 File Number: NY-09875-A

6 Date: Thursday, December, 5, 2019

7 Location: New York, NY

8

9 This is to certify that I, Maria E. Paulsen,
10 (the undersigned), do hereby certify that the
11 foregoing transcript is a complete, true and accurate
12 transcription of all matters contained on the recorded
13 proceedings of the investigative testimony.

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10 I further certify that I am not related to
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14 IN WITNESS WHEREOF, I have hereunto set my
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